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GREEN MOUNTAIN CARE BOARD

Update on Act 159 of 2020, Section 4: Hospital Sustainability Planning

Submitted: April 1st, 2021

Green Mountain Care Board

Act 159 of 2020 - Sec 4

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"The Green Mountain Care Board shall consider ways to increase the financial sustainability of Vermont hospitals in order to achieve population-based health improvements while maintaining community access to services."

Value-Based Care

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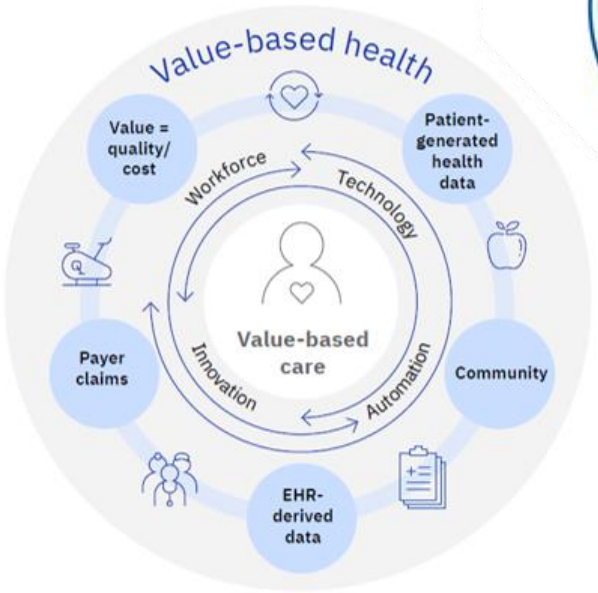

VALUE BASED CARE

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Federal Commitment to Value-Based Care

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Must consider the shift away FFS and toward value-based care to evaluate rate setting options and impact on sustainability and equity in reimbursement.

2010: Affordability Care Act (ACA)

- Created CMS Innovation Center (CMMI) to test new payment and care delivery models to further value-based care.
- ACA specifically identified accountable care organizations (ACOs) as a promising model, and CMMI launched multiple Medicare ACO models through 2017.

2015: Medicare and CHIP Reauthorization Act (MACRA)

- Accelerated shift to value-based models by creating an incentive program (Quality Payment Program) for providers participating in Medicare.
- Providers can either elect to participate in the Merit-Based Incentive Payment System (MIPS) and report on quality and have a performance-based payment adjustment; or they can participate in Advanced Alternative Payment Methodologies (APMs), innovative payment models that tie payment to value.

2020: State Medicaid Director's Letter #20-004

- Discusses Value-Based Care Opportunities in Medicaid.
- Describes the benefits of multi-payer models that align incentives across Medicare and Medicaid.
- Also highlights challenges inherent in models that are voluntary for providers in reaching critical mass, and in avoiding adverse provider selection.

2021 and Beyond: Biden Administration

- Biden Administration approach remains to be seen.
- Given past bipartisan support for value-based models, expect this push to continue and evolve.

Vermont's Move Toward Value-Based Care

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Vermont has also been on the path away from FFS and toward value-based care for many years, in alignment with (and often ahead of) the federal government

2003-present:
Blueprint for Health

- Major investment in Vermont's primary care practices
- Began to tie payment to value through quality incentives
- Medicare has participated in the Blueprint and Support and Services at Home (SASH) since 2011 through the federal MAPCP Demonstration (2011-2016) and through the All-Payer Model ($7.5M+ annually since 2017)

2013-2017:
State Innovation Models (SIM) Grant

- $45M in federal funding to accelerate the transition to value-based care in Vermont
- Launched Vermont's Medicaid and commercial ACO Shared Savings Programs (SSPs) which laid the groundwork for Vermont Medicaid Next Generation ACO Program (VMNG)
- Supported All-Payer Model development, major investments in practice transformation and health information technology

2017-2022:
All-Payer Model

- Aims to test payment changes, transform care delivery, and improve health outcomes while controlling health care cost growth
- Medicare participates in Vermont-specific program through federal All-Payer Model Agreement signed in 2016; 2017 = Year 0
- Supports continued Medicare participation in Blueprint for Health and SASH

2005-current: Global Commitment to Health 1115 Waiver. Provides flexibility and funding for State priorities within the Medicaid program, including flexibility to pursue value-based payment models.

18 V.S.A. § 9372. Purpose of the GMCB.

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The GMCB was created to promote the general good of the State by:

1. Improving the health of the population;
2. Reducing the per-capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised;
3. Enhancing the patient and health care professional experience of care;
4. Recruiting and retaining high-quality health care professionals; and
5. Achieving administrative simplification in health care financing and delivery.

18 V.S.A. § 9371. Health Care Reform Principles.

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The framework for reforming health care in Vermont includes the following principles:

(2) Overall health care costs must be contained, and growth in health care spending in Vermont must balance the health care needs of the population with the ability to pay for such care.

(4) . . . .Other aspects of Vermont's health care infrastructure, including the educational and research missions of the State's academic medical center and other postsecondary educational institutions, the nonprofit missions of the community hospitals, and the critical access designation of rural hospitals, must be supported in such a way that all Vermonters, including those in rural areas, have access to necessary health services and that these health services are sustainable.

(12) The system must consider the effects of payment reform on individuals and on health care professionals and suppliers. It must enable health care professionals to provide, on a solvent basis, effective and efficient health services that are in the public interest.

Some relevant GMCB duties…

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Regulation of innovative reforms that seek to improve systemwide performance on the cost, quality of, and access to care:

1. Use regulatory levers to contain Vermont's health care cost growth – including the development, implementation, and evaluation of health care payment reform
2. Develop and implement a method for evaluating systemwide performance in quality, including identification of the appropriate process and outcome measures
3. Identify Vermont's critical health needs, goods, services, and resources (i.e. HRAP)
4. Through the hospital budget review process, promote the efficient and economic operations of hospitals, consistent with HRAP, taking into consideration appropriate benchmarks/best practices.

Hospital Sustainability: Problems we are aiming to solve…

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1. Eroding hospital margins (and their root causes)
2. Opportunities to improve health system efficiency and ensure continued to access to essential services
3. Unaffordable and unsustainable reliance on commercial rate increases to make hospital budgets whole
4. Preparedness for value-based payment – hospitals cannot continue to rely on volume-centric business models
5. COVID – how can we ensure hospitals recover post-pandemic*

*Note: how are hospitals getting through their backlog of preventative care and screening

Hospital Closures

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- Since 2005, 180 rural hospitals have closed nationally, with 2020 closure rates higher than any previous year[1].
- In a study published in Health Affairs in 2020, rural hospitals that closed during the study period had a **median overall profit margin of -3.2% in their final year before closure**[2].
- Vermont experienced its own hospital bankruptcy, alarming the Board, Legislators, and hospitals across the state. This was not an anomaly; margins continue to decline.
    1. April 3rd, 2019 GMCB Panel on Rural Health Care
    2. Act 26 of 2019 – Rural Health Services Task Force
    3. The GMCB memorialized their concern for hospital sustainability in FY 2020 Hospital Budget Orders with the requirement for **6** of **14** hospitals to submit a sustainability plan.

1. https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/
2. Bai G, Yehia F, Chen W, Anderson GF. Varying Trends in the Financial Viability of US Rural Hospitals, 2011-17. Health Aff (Millwood). 2020;39(6).

Vermont Hospitals (pre-COVID-19)

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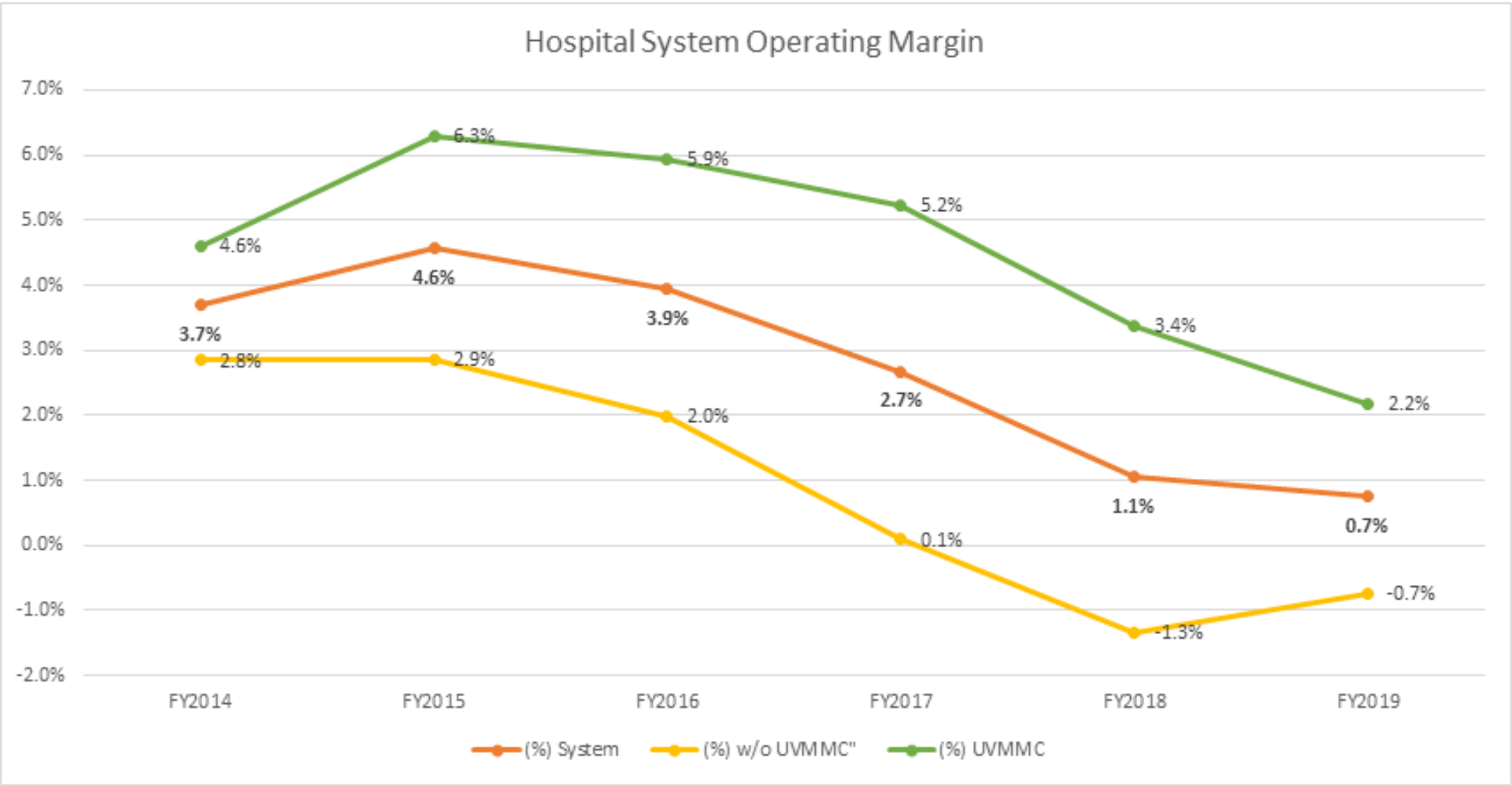

Vermont Hospitals (pre-COVID-19)

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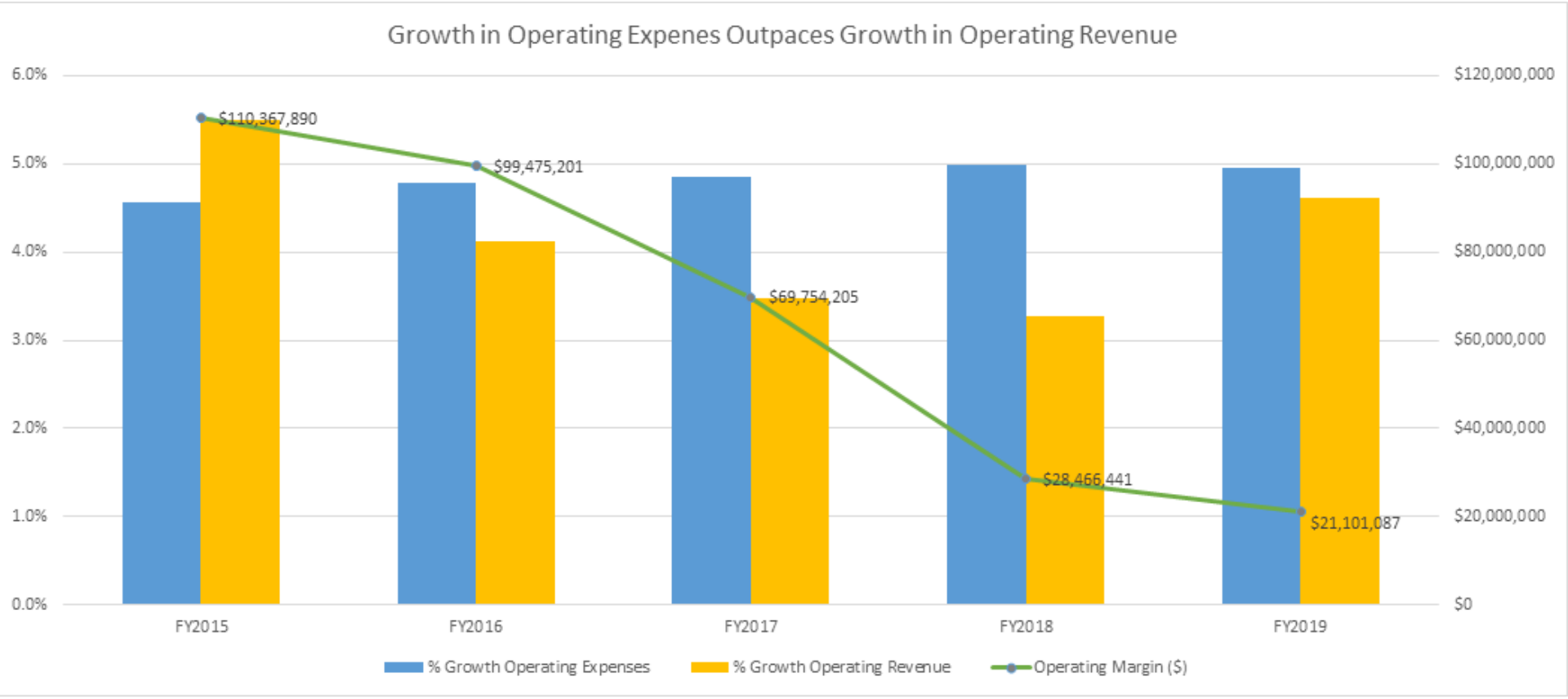

Source: Green Mountain Care Board

Vermont Hospitals & COVID-19

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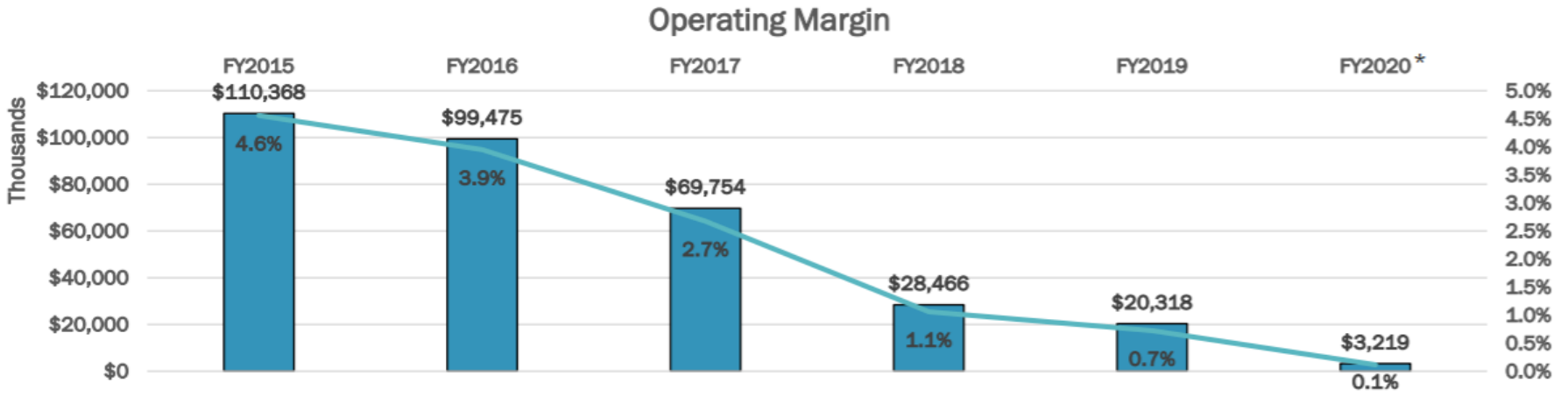
Vermont Hospital System			
Net Patient Revenue/Fixed Prospective Payments			
Actual 2020	**Budget 2020**	**Variance ($)**	**Variance (%)**
$ 2,425,294,019	$ 2,717,331,641	$ (292,037,622)	-10.7%
Operating Expenses			
Actual 2020	**Budget 2020**	**Variance ($)**	**Variance (%)**
$ 2,880,934,793	$ 2,868,723,052	$ 12,211,741	0.4%

Vermont Hospital System			
Net Patient Revenue/Fixed Prospective Payments			
Actual 2020	**Actual 2019**	**Variance ($)**	**Variance (%)**
$ 2,425,294,019	$ 2,588,423,980	$ (163,129,961)	-6.3%
Operating Expenses			
Actual 2020	**Actual 2019**	**Variance ($)**	**Variance (%)**
$ 2,880,934,793	$ 2,795,444,000	$ 85,490,793	3.1%



*FY2020 year-end results may change due to stimulus guidance.

Operating Margin ($)

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Hospital	FY2016	FY2017	FY2018	FY2019	FY2020
Brattleboro Memorial Hospital	($437,372)	($2,437,207)	($1,924,959)	$670,579	$515,362
Central Vermont Medical Center	$2,049,956	($1,902,075)	($7,868,458)	($4,677,987)	($1,319,345)
Copley Hospital	($84,921)	($377,946)	($2,222,433)	($2,161,242)	($2,756,792)
Gifford Medical Center	$2,209,679	($874,293)	($5,369,446)	($413,707)	$1,417,726
Grace Cottage Hospital	($1,447,624)	($1,270,782)	($556,530)	($1,301,798)	($378,786)
Mt. Ascutney Hospital & Health Ctr	$141,292	$1,390,379	$1,052,255	($42,885)	$538,310
North Country Hospital	$141,751	($1,871,960)	($1,883,575)	$1,676,946	$3,336,242
Northeastern VT Regional Hospital	$1,487,940	$1,477,373	$1,430,264	$1,627,193	$1,181,218
Northwestern Medical Center	$3,655,142	($1,259,824)	($3,729,620)	($8,905,148)	($1,111,516)
Porter Medical Center	$1,450,905	$2,196,330	$1,492,207	$4,705,271	$3,673,600
Rutland Regional Medical Center	$10,778,375	$4,163,384	$1,297,252	$1,172,124	$545,491
Southwestern VT Medical Center	$5,298,810	$5,775,890	$7,618,119	$5,583,044	$4,766,481
Springfield Hospital	$181,122	($3,835,857)	($6,996,078)	($9,021,953)	($3,181,720)
The University of Vermont Medical Center	$74,050,147	$68,580,794	$46,127,444	$31,407,561	($4,007,273)
Total	$99,475,201	$69,754,205	$28,466,441	$20,317,997	$3,218,998

Operating Margin (%)

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Hospital	FY2016	FY2017	FY2018	FY2019	FY2020	5 yr average
Brattleboro Memorial Hospital	-0.6%	-3.1%	-2.4%	0.8%	0.6%	-0.9%
Central Vermont Medical Center	1.0%	-0.9%	-3.8%	-2.1%	-0.6%	-1.3%
Copley Hospital	-0.1%	-0.6%	-3.3%	-3.2%	-3.9%	-2.2%
Gifford Medical Center	3.9%	-1.6%	-10.7%	-0.8%	2.5%	-1.3%
Grace Cottage Hospital	-8.0%	-6.9%	-2.9%	-6.7%	-1.8%	-5.2%
Mt. Ascutney Hospital & Health Ctr	0.3%	2.7%	1.9%	-0.1%	0.9%	1.2%
North Country Hospital	0.2%	-2.3%	-2.3%	1.9%	3.7%	0.2%
Northeastern VT Regional Hospital	2.0%	1.9%	1.7%	1.8%	1.3%	1.7%
Northwestern Medical Center	3.4%	-1.2%	-3.4%	-8.0%	-0.9%	-2.0%
Porter Medical Center	1.9%	2.7%	1.8%	5.2%	4.1%	3.1%
Rutland Regional Medical Center	4.2%	1.6%	0.5%	0.4%	0.2%	1.4%
Southwestern VT Medical Center	3.4%	3.7%	4.6%	3.3%	2.8%	3.5%
Springfield Hospital	0.3%	-7.1%	-12.8%	-18.4%	-6.7%	-8.9%
The University of Vermont Medical Center	5.9%	5.2%	3.4%	2.2%	-0.3%	3.3%
Total	3.9%	2.7%	1.1%	0.7%	0.1%	1.7%

Total Margin

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Hospital	FY2016	FY2017	FY2018	FY2019	FY2020	5 yr average
Brattleboro Memorial Hospital	2.3%	0.9%	1.1%	1.6%	9.5%	3.1%
Central Vermont Medical Center	1.9%	6.7%	0.9%	-4.0%	4.5%	2.0%
Copley Hospital	0.3%	3.9%	-2.4%	-2.6%	-3.2%	-0.8%
Gifford Medical Center	7.8%	0.3%	-6.2%	4.8%	5.8%	2.5%
Grace Cottage Hospital	-2.1%	1.3%	3.7%	-0.3%	3.8%	1.3%
Mt. Ascutney Hospital & Health Ctr	2.6%	10.5%	5.3%	-4.0%	10.0%	4.9%
North Country Hospital	2.5%	2.3%	1.2%	3.0%	7.8%	3.4%
Northeastern VT Regional Hospital	3.2%	0.6%	2.3%	1.8%	3.8%	2.3%
Northwestern Medical Center	6.2%	6.8%	0.5%	-7.6%	-1.1%	1.0%
Porter Medical Center	5.9%	7.1%	6.1%	5.9%	4.3%	5.9%
Rutland Regional Medical Center	8.3%	7.5%	4.2%	2.1%	5.2%	5.5%
Southwestern VT Medical Center	3.8%	4.9%	5.8%	3.5%	4.6%	4.5%
Springfield Hospital	0.7%	-3.2%	-12.0%	-38.9%	-5.4%	-11.8%
The University of Vermont Medical Center	6.8%	6.7%	5.1%	4.5%	-1.2%	4.4%
Total	5.5%	5.8%	3.5%	1.9%	1.6%	3.7%

Increasing Reliance on Other Operating Revenue

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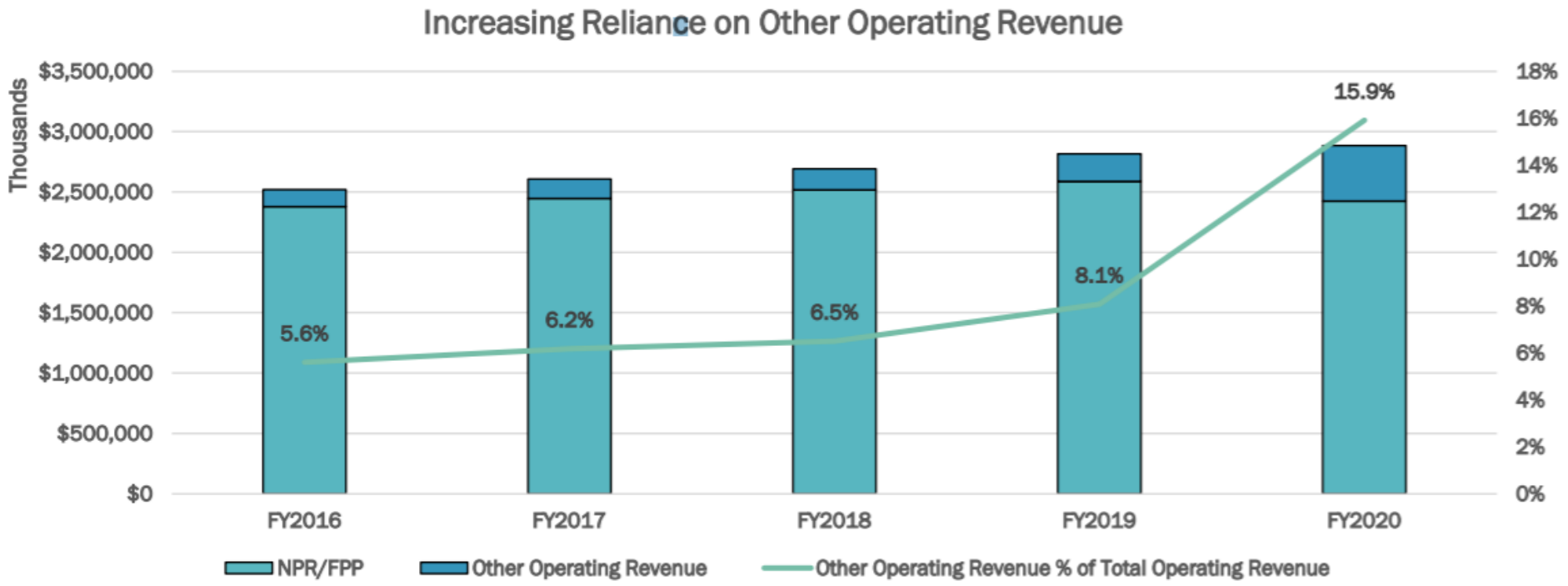
As the 2020 pandemic continued, operating margins deteriorated. Once the CARES Act was passed, hospitals applied for the different forms of relief funding. Several hospitals credited these funds as **critical to the sustainability of their organizations.**



Hospital Commercial Charges

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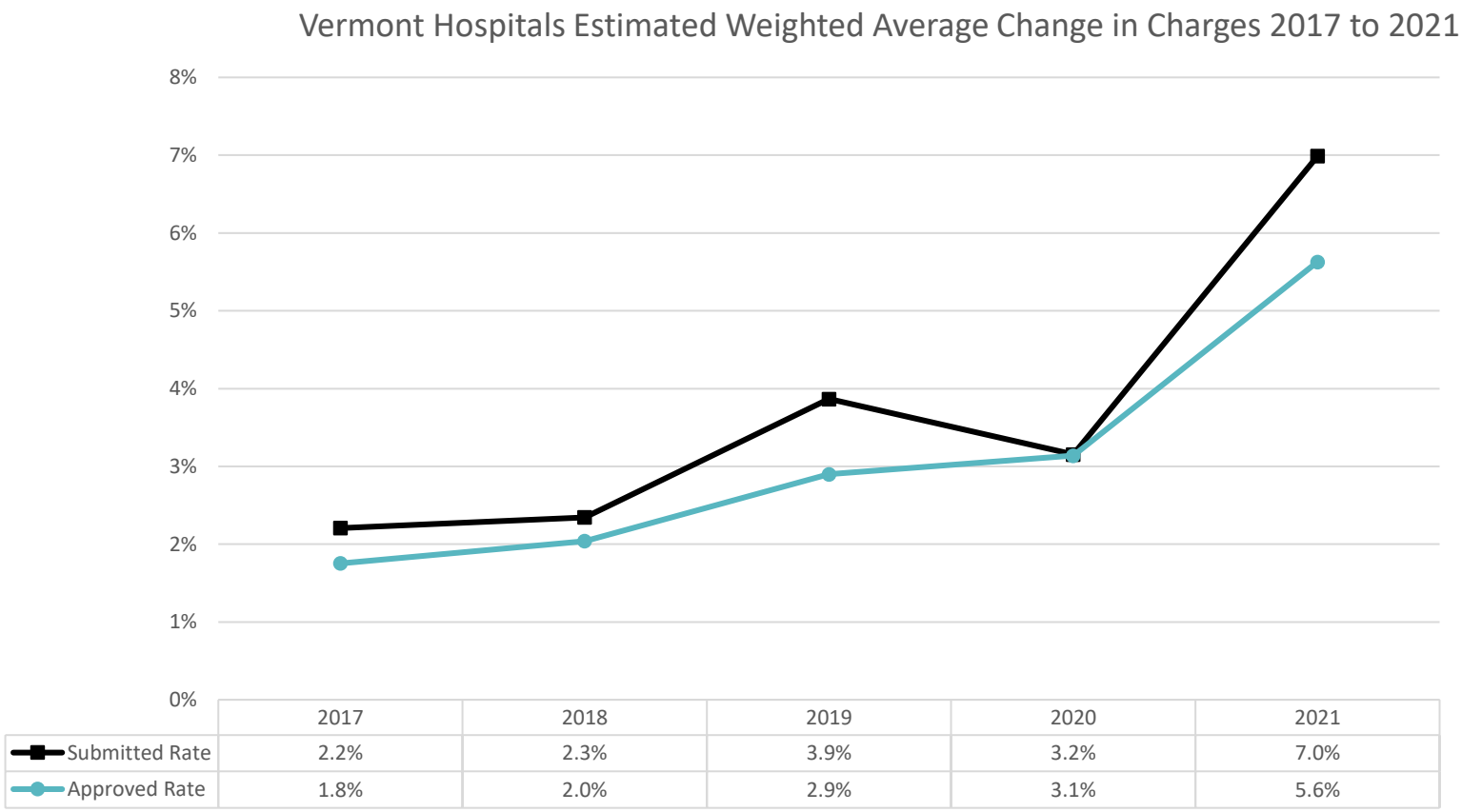

	2017	2018	2019	2020	2021
Submitted Rate	2.2%	2.3%	3.9%	3.2%	7.0%
Approved Rate	1.8%	2.0%	2.9%	3.1%	5.6%

Estimated Weighted Average for all hospitals is calculated by factoring in each hospital's proportion of gross revenue to the change in charges (rate).

Act 159: Defining the work…

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Hospital financial sustainability: How can we ensure that hospital revenues (provider reimbursement) are sufficient to cover the costs of operating a system that **strikes the appropriate balance between efficiency and access in rural Vermont**?

How can sustainable hospital reimbursement ensure:

1. Access to essential services for all Vermont communities
2. Efficient and economic delivery of services
3. Improved health outcomes (population health) for Vermonters

Sustainability Framework

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Part 1 – Current State and Gap Analysis

1. Hospital financial health
2. Provider reimbursement and variation in prices and costs
3. Community access to essential services and hospital system needs to improve health outcomes of Vermonters, including an assessment of hospital system capacity and quality

Part 2 – Hospital Engagement

Part 3 – Potential paths forward to improve hospital sustainability and preparedness for value-based care

Part 1 – Hospital Financial Health

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Financial health of Vermont hospitals will be assessed using various measures, compared to regional and national **benchmarks,** considering hospital characteristics such as designation, hospital size, case mix index, payer mix etc. Types of metrics include:

- Revenue Sources
- Total/Operating Margin
- Solvency Measures
- Debt Position
- Age of Plant
- Payer Mix

Hospitals will be asked to explain **drivers of** identified **vulnerabilities,** any **hospital-led strategies** aimed to mitigate these challenges**,** as well as any known **state/federal barriers** to the sustainability of their financial health

Part 1 – Hospital Financial Health

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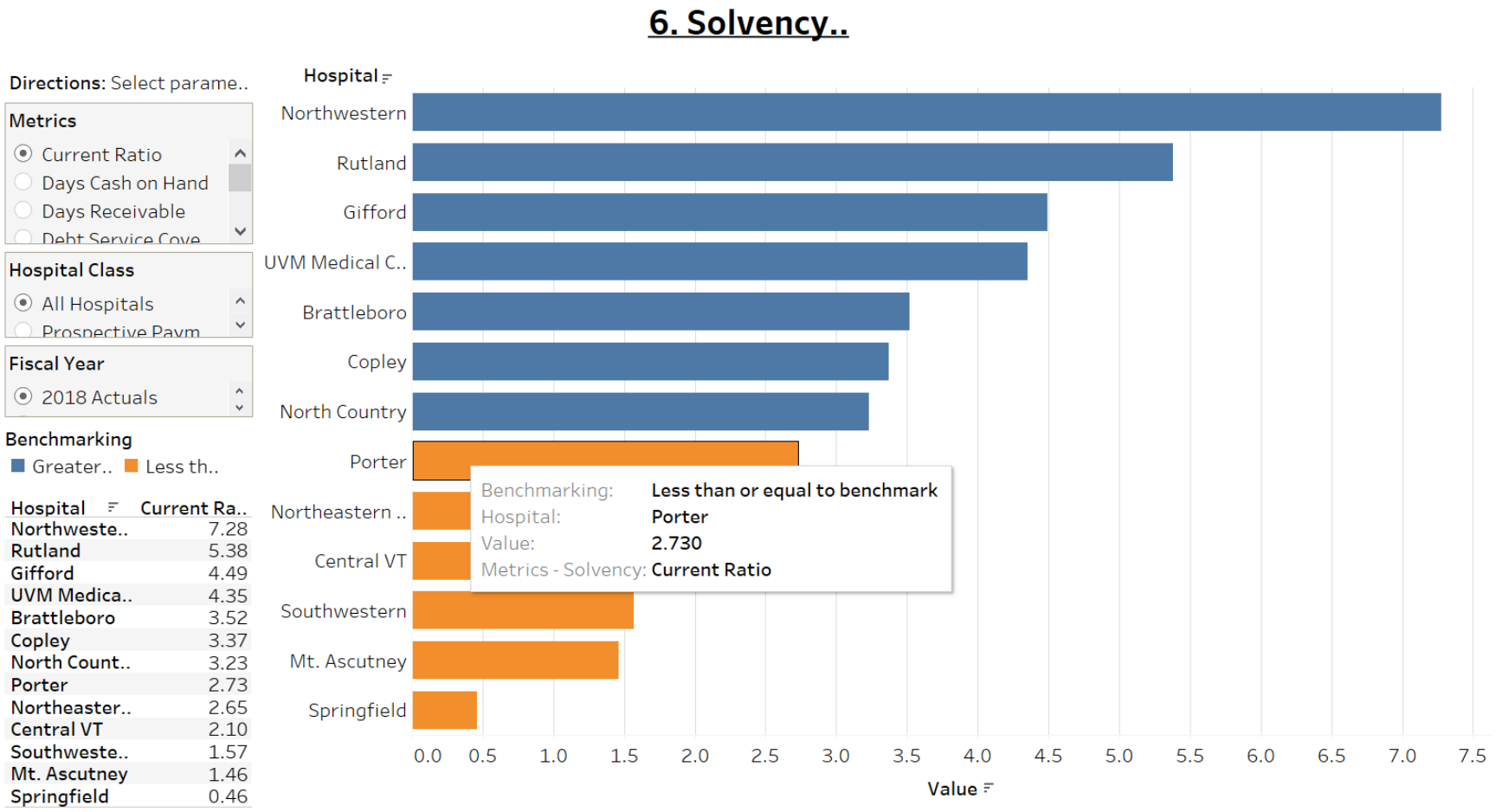

Part 1 – Hospital Reimbursement & Variation in Prices/Costs

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This section describes variation in hospital reimbursement and cost and considers a variety of metrics including:

- % Hospital revenue from value-based payments (VBP)
- % Hospital VBPs that are fixed prospective payments (FPP)
- Cost/price variation by hospital by
  - Payer
  - Hospital designation
  - Inpatient/outpatient/service-line
- Cost Coverage: Payment to Cost ratio by
  - Inpatient/outpatient services/service-line

Part 1 – Hospital Reimbursement & Variation in Prices/Costs

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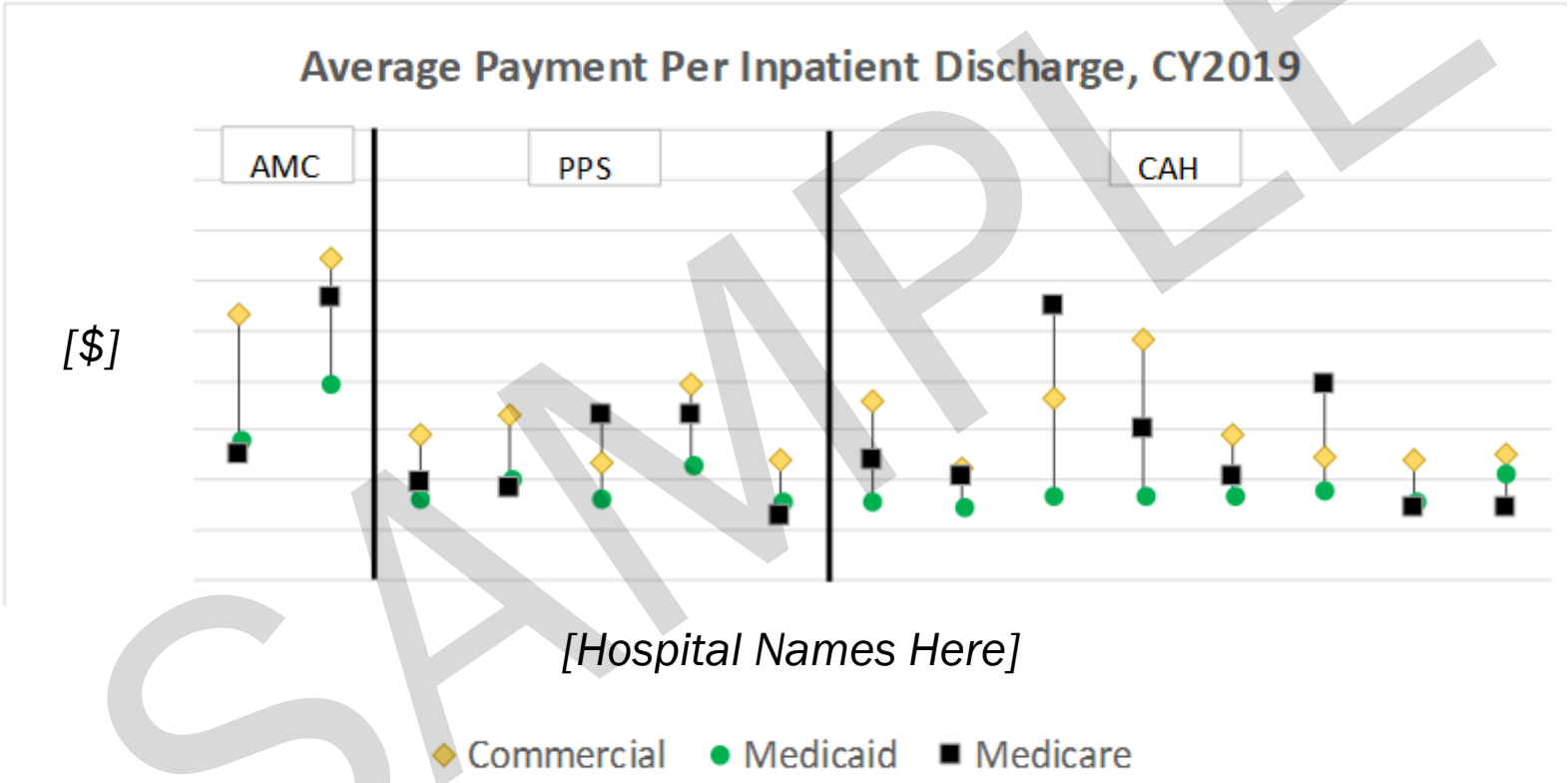
DISCLAIMER: NOT ACTUAL DATA



Part 1 – Essential Services & Health Outcomes

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Assess the ability of the Vermont health system to deliver essential high-quality services to- and improve the health outcomes of Vermonters by assessing health system **Capacity** and **Quality.**

Part 1 – Essential Services & Health Outcomes: *Capacity*

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- Current overall occupancy rates for Vermont hospitals relative to peers
- Trends in ED usage, inpatient admissions, length of stay etc.
- Projected bed needs given Vermont's demographic challenges - declining, aging of the population.

Indicator
Total discharges
Total discharges, less newborns and neonates
Licensed Beds General ICU Rehab Total
Average length of stay
Total patient days
Average Daily Census Obstetrics Behavioral health Med/Surg/Other Total
Occupancy rate General acute hospitals Critical access hospitals

Part 1 – Essential Services & Health Outcomes: *Capacity*

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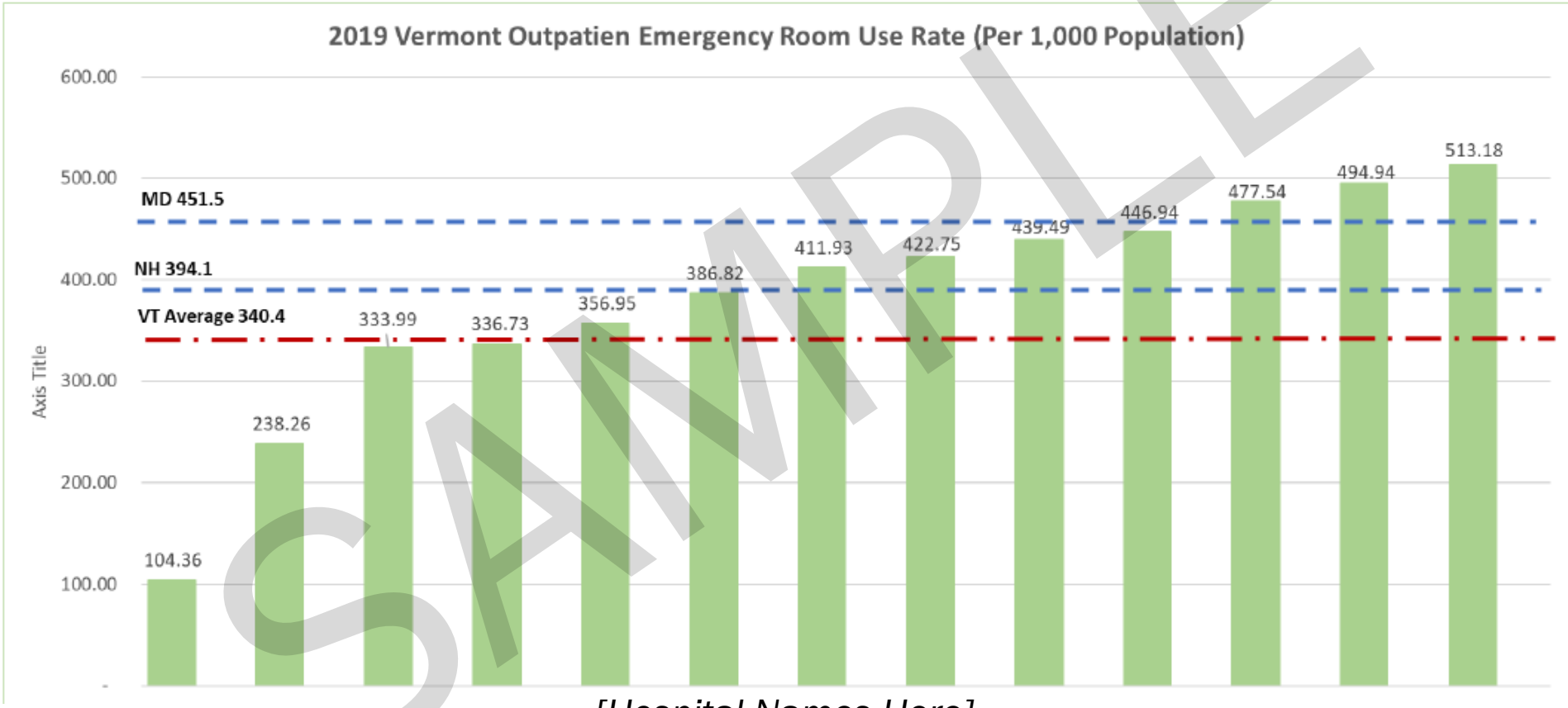

[Hospital Names Here]

Part 1 – Essential Services & Health Outcomes: *Capacity*

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Projected ADC by Hospital: With Potential Improvement Toward Benchmark, All-Payer

	CY 2019 ALOS	Benchmark AMLOS	LOS Differential	CY 2019 Total Days	CY 2019 ADC	CY 2019 ASC Adjusted 30% reduction in excess days	CY 2019 ASC Adjusted 50% reduction in excess days
UVM Medical Center							
Rutland							
Central VT							
Southwestern							
Brattleboro							
Northwestern							
Copley							
Springfield							
Northeastern VT							
Porter							
North Country							
Gifford							
Mt Ascutney							
Grace Cottage							
Total						#/%	#/%

Part 1 – Essential Services & Health Outcomes: *Quality*

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- In-hospital mortalities
- Intra-hospital readmission rates
- Complications
- Prevention Quality Indicators
- Service-line volume analysis

Part 1 – Essential Services & Health Outcomes: *Quality*

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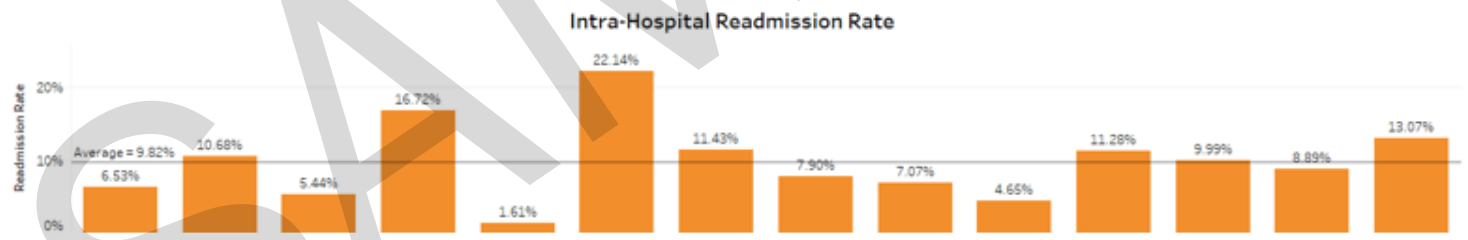
Green Mountain Care Board
Statewide Summary CY 2018 – By Hospital

[Hospital Names Here]

*Observed vs. Expected



[Hospital Names Here]

Part 1 – Essential Services & Health Outcomes: *Quality*

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Part 2 – Hospital Engagement

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GMCB staff have worked with hospitals through the development of the proposed analytic framework:

1. CFO meetings – December 2019
2. Staff Presentations for Public Comment – Feb/Jul 2020
3. Hospital Leadership Meetings – October/November 2020*

To alleviate administrative burden during the pandemic, GMCB staff (with contractor support) absorbed the analytics work and is relying on existing data.

*Except UVM due to timing of cyber attack/COVID-19 challenges

Part 2 – Hospital Engagement

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Next Steps (timing contingent on COVID-19):

1. GMCB staff to work with hospital leadership to review analytic methodologies
2. Continue conversations with hospital leadership to deepen our understanding of community-specific nuances to these early insights given methods/analytic approaches
3. GMCB staff to continue working with VPQHC to ensure aligned approach to quality
4. Share initial insights and analytics with hospitals and ask for their engagement and discussion on threats to their sustainability and potential solutions that ensure continued access to high quality essential services and improvements in health outcomes of Vermonters

Part 3 – Potential Paths Forward

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Outline potential paths forward to improve hospital sustainability, maintain access to essential services, continue to improve health outcomes for Vermonters, and support progress toward value-based care:

- Whether/how can we evolve the hospital budget process?
- Opportunities to improve other regulatory processes?
- What do these insights/challenges suggest for Vermont's proposal for a subsequent All-Payer Model Agreement and other Vermont value-based payment models?

Timeline

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Activity	Date*	Complete
Board votes to require sustainability planning for 6/14 hospitals	September 2019	✓
COVID-19 State of Emergency Declared	March 13, 2020*	✓
Board staff propose draft framework	February/July 2020	✓
Board votes to extend sustainability planning to all hospitals	September 2020	✓
Update #1 - HROC	Nov 13, 2020	✓
Stage 1 – Current State & Gap Analysis (Part 1)	Spring 2021	WIP
Update #2 - HROC	April 1, 2021	Today
Stage 2 – Hospital Engagement (Part 1): review analytic methodologies	Spring 2021	
Stage 1 – Current State & Gap Analysis (Part 2)	Summer 2021	
Stage 2 – Hospital Engagement (Part 2): follow-up questions to current state and gap analysis	Summer/Fall 2021	
Stage 3 – Potential Paths Forward/Policy Options	**Depends on COVID-19	
Final Report to HROC	Sept 1, 2021 (<Nov 1, 2021) **Depends on COVID-19	

* https://governor.vermont.gov/press-release/governor-phil-scott-declares-state-emergency-implement-new-covid-19-community

Appendix I

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Goals for the Sustainability Planning Framework

1. Engage in a robust **conversation** on maintaining **access to essential services in our communities,** preparing for a shift to **value based care,** and understanding the threats to the **sustainability** of our rural health care system;
2. Encourage **hospital leadership, boards, and communities** to **work together** to address sustainability challenges and the shift to value based care;
3. Identify **hospital-led strategies** for sustainability, including efforts to "right-size" hospital operations, particularly in the face of Vermont's demographic challenges and making the shift to value based care;
4. Identify **"external" barriers** to sustainability and making a successful shift to value based care that are more aptly addressed by other stakeholders, policy-makers, or regulatory bodies, and generate insights to inform the state's approach to planning for- and designing a proposal for a subsequent **All-Payer Model Agreement (APM 2.0).**